

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF)	
LOUISVILLE GAS AND ELECTRIC)	CASE NO. 2018-00295
COMPANY FOR AN ADJUSTMENT OF ITS)	
ELECTRIC AND GAS RATES)	

RESPONSE OF
LOUISVILLE GAS AND ELECTRIC COMPANY
TO
SECOND REQUESTS FOR INFORMATION
OF THE KROGER COMPANY'S AND WALMART INC.'S
DATED DECEMBER 13, 2018

FILED: JANUARY 2, 2019

VERIFICATION

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

The undersigned, **Christopher M. Garrett**, being duly sworn, deposes and says that he is Controller for Kentucky Utilities Company and Louisville Gas and Electric Company and an employee of LG&E and KU Services Company, and that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.


Christopher M. Garrett

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20th day of December 2018.


Notary Public

My Commission Expires:
Judy Schooler
Notary Public, ID No. 603967
State at Large, Kentucky
Commission Expires 7/11/2022

LOUISVILLE GAS AND ELECTRIC COMPANY

Response to Second Requests for Information of the Kroger Company and Walmart Inc.

Dated December 13, 2018

Case No. 2018-00295

Question No. 1

Responding Witness: Christopher M. Garrett

- Q-1. Refer to LG&E response to Kroger and Walmart's first RFI, A-6 (c)
- a. Refer to A-6 (c), parts (i) and (iii). According to LG&E's response regarding the difference between capitalization and rate base, one difference "is related to the fact that capitalization includes the funding for working capital," and "the Commission does not recognize a lead lag study (income statement analyses) cash working capital adjustment in the calculation of capitalization."
 - i. Please explain the statement that capitalization includes the funding for working capital.
 1. Does LG&E believe that rate base does not include the funding for working capital?
 - ii. What is the total amount of all cash working capital that is included in LG&E's proposed capitalization?
 - iii. What is the total amount of all cash working capital that is included in LG&E's proposed rate base?
 - iv. What is the reason for the difference in the amount of cash working capital between capitalization and rate base? In other words, what are the drivers of the difference between the cash working capital amounts determined by the income statement analyses and the balance sheet analyses?
 - b. Refer to A-6 (c), part (iv). According to LG&E's response, Line 42 of the reconciliation of rate base and capitalization uses different methodologies in calculating jurisdictional amounts between capitalization and rate base. "Capitalization utilizes the overall rate base jurisdictional factor shown in line 1 whereas the calculation of rate base utilizes multiple, varying jurisdictional factors."

- i. Please explain how the overall rate base jurisdictional factor for capitalization, shown on line 1, was calculated.
 - ii. Please provide a list or schedule of the multiple varying jurisdictional factors used to calculate the jurisdictional rate base.
 - iii. Please provide a justification or explanation regarding why the overall rate base jurisdictional factor for capitalization, and the jurisdictional percentage of rate base should be different.
 - iv. Please explain why LG&E does not use the jurisdictional percentage of rate base as the overall rate base jurisdictional factor for capitalization?
- c. Refer to the reconciliation between the capitalization and rate base as required by 807 KAR 5:001 Section 16(6)(f).
- i. Line 41 Cash Working Capital (Income Statement) indicates \$26,966,376 on a Kentucky jurisdictional basis. Please explain how this amount was derived.
 1. Please reconcile this amount with the working capital allowances in Schedule B-5 of the LG&E's Jurisdictional Rate Base Summary.
 2. Please reconcile this amount with the working capital amounts in response to question Q-1(a)(i) and Q-1(a)(ii).

A-1.

- a.
 - i. Capitalization utilizes the overall balance sheet approach as discussed in the Rate Case and Audit Manual prepared by NARUC Staff Subcommittee of Accounting and Finance. Therefore, capitalization includes all assets and liabilities, including current assets and current liabilities, which primarily make up working capital. As a result, capitalization includes the funding of working capital.
 1. No. Rate base includes the funding of working capital. The completion of a lead/lag study accounts for a portion of the Company's cash working capital requirements, but this methodology does not adequately identify all sources of investor capital, unlike the overall balance sheet approach used by capitalization.

- ii.- iv. See attachment being provided in Excel format for cash working capital for capitalization and rate base as well as an explanation of drivers of the differences between these amounts.

- b.
 - i. The calculation of the overall rate base jurisdictional factor can be seen on Filing Requirement 807 KAR 5:001 Section 16(8)(j) Schedule B-1.1.

 - ii. For LG&E, 100% of the costs are directly assigned or allocated to either electric or gas rate base. For example, Schedule B-2.3 shows that common assets are allocated 69% to electric and 31% to gas for rate base while all other plant is directly assigned. See attachment for subpart a. being provided in excel format for additional information concerning the allocation difference.

 - iii. As shown on Filing Requirement 807 KAR 5:001 Section 16(8)(j) Schedule B-1.1, these factors are the same.

 - iv. As discussed in subpart i., the overall rate base jurisdictional factor on Filing Requirement 807 KAR 5:001 Section 16(8)(j) Schedule B-1.1 is utilized on Filing Requirement 807 KAR 5:001 Section 16(8)(j) Schedule J-1 to determine Kentucky Jurisdictional Electric and Gas capitalization.

- c.
 - i. See attachment for subpart a. being provided in excel format which shows how amounts are derived and reconciled.

The attachment is being provided in a separate file in Excel format.

LOUISVILLE GAS AND ELECTRIC COMPANY

**Response to Second Requests for Information of the Kroger Company and Walmart
Inc.**

Dated December 13, 2018

Case No. 2018-00295

Question No. 2

Responding Witness: Christopher M. Garrett

- Q-2. Refer to the Direct Testimony of Christopher M. Garrett, page 37.
- a. Please describe the outage(s) and events that resulted in the \$7.3 million regulatory asset.
- A-2. The \$7.3 million regulatory asset is primarily driven by the Trimble County unit 1 and Mill Creek unit 4 major outages in the fall 2017 and fall 2018, respectively. Both of these outages were planned as part of the eight year planned outage cycle. The costs for these outages exceed the eight-year average included in base rates.